

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

MEECO MANUFACTURING CO., INC.,

Plaintiff,

v.

IMPERIAL MANUFACTURING GROUP,  
et al.,

Defendants.

CASE NO. C03-3061JLR

FINDINGS OF FACT AND  
CONCLUSIONS OF LAW

**I. INTRODUCTION**

This matter came before the court on a bench trial from June 21, 2005 through June 24, 2005. After considering the evidence presented at trial and the parties' opening statements and closing arguments, the court issues the following findings of fact and conclusions of law. At the close of Plaintiff's case, Defendants made a motion for judgment on partial findings under Fed. R. Civ. P. 52(c). The court granted that motion in part, and made oral findings of fact and conclusions of law. The court has incorporated those findings and conclusions here.

**II. FINDINGS OF FACT**

1. Plaintiff MEECO Manufacturing Company, Inc. ("MEECO") is a Washington corporation whose principal place of business at all relevant times was in either Seattle or Everett, Washington.

- 1 2. MEECO manufactures fireplace and stove products, including creosote cleaning  
2 chemicals, stove paint, stove gasketing, and related products.
- 3 3. Defendant Imperial Manufacturing Group is an unincorporated association of  
4 Canadian corporations, including Defendant Imperial Sheet Metal, Ltd. Unless  
5 the distinction is important, the court will refer to these entities collectively as  
6 “Imperial.” Imperial’s principal place of business is in Richibucto, New  
7 Brunswick.
- 8 4. Defendant Normand Caissie is the President and Chief Operating Officer of  
9 Imperial, and is the sole stockholder of Imperial Sheet Metal, Ltd. The court finds  
10 that Mr. Caissie took all of the actions relevant to the instant dispute in his  
11 capacity as a corporate officer.
- 12 5. MEECO and Imperial began a business relationship after Mr. Caissie met MEECO  
13 owner Clark Schaefer at an industry convention. Imperial began distributing  
14 MEECO products. There was no ongoing agreement governing the distribution  
15 relationship. Imperial simply purchased MEECO products according to its needs  
16 and resold them.
- 17 6. In approximately June 2000, MEECO and Imperial entered discussions for  
18 Imperial to acquire MEECO. The parties entered a confidentiality agreement in  
19 2000. Although Imperial continued to discuss acquiring MEECO for several  
20 years, the acquisition never occurred.
- 21 7. In approximately September 2002, Imperial acquired Kel-Kem, Ltd., a Canadian  
22 manufacturer of fireplace and stove products. Mr. Schaefer was concerned that  
23 the Kel-Kem acquisition meant that Kel-Kem would displace MEECO as  
24 Imperial’s supplier. Soon after the acquisition, Mr. Caissie assured Mr. Schaefer  
25 over the telephone that he intended to continue to use MEECO to supply its  
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1 United States customers. Despite Mr. Caissie's assurances, Mr. Schaefer learned  
2 information that led him to believe that Imperial was preparing to cease  
3 purchasing products from MEECO.

- 4 8. By May 2003, Mr. Schaefer moved to terminate the parties' business relationship.  
5

6  
7 **Facts Relevant to the Parties' Trademarks and Trade Dress**

- 8 9. MEECO sells many of its products under its registered MEECO "Red Devil"  
9 trademark. MEECO owns United States Trademark No. 1,546,926 covering the  
10 MEECO Red Devil mark. MEECO also sells some of its products under its  
11 "Heatsafe" trademark.
- 12 10. Initially, Imperial sold all MEECO products as MEECO Red Devil or Heatsafe  
13 trademarked goods.
- 14 11. In early 2001, Lowe's Hardware Stores ("Lowe's"), which had sold MEECO  
15 products and Imperial products in the past, sought to reduce the number of  
16 fireplace product brands sold in its stores. It requested that Imperial label all  
17 products that it provided to Lowe's as Imperial products. Imperial informed  
18 MEECO of this request and MEECO agreed to permit Imperial to relabel its  
19 products sold to Lowe's.
- 20 12. MEECO assisted Imperial in developing "private labels" to meet Lowe's  
21 demands. The private labels were for 16 products sold at Lowe's, and were based  
22 on MEECO's existing Red Devil or Heatsafe labels for those products. Mr.  
23 Schaefer worked with a third-party printer that MEECO had used in the past to  
24 develop labels for Imperial. He did little more than replace the MEECO name and  
25 logo with the Imperial name and logo on his existing labels. With perhaps one  
26 exception, the private labels for all products were on an all-yellow background  
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1 with a thin red band across the top of the label and a thin red band across the  
2 bottom of the label. None of the private labels contained any MEECO trademark  
3 or used the name “MEECO.” All prominently featured a stylized “Imperial” logo  
4 and, occasionally, a stylized crown logo as well.

5  
6 13. Imperial approved the final format of the private labels, including the selection of  
7 the all-yellow background color, but the private labels were heavily derived from  
8 MEECO’s existing labels.

9 14. The principal differences between MEECO’s existing labels and the Imperial  
10 private labels were the very prominent display of the Imperial logo in place of the  
11 MEECO logo as well as the background color of the labels. While all (or virtually  
12 all) of the private labels were on all-yellow backgrounds, the MEECO labels on  
13 corresponding products were often on all-white backgrounds.

14  
15 15. The most consistent similarity between MEECO’s existing labels and the Imperial  
16 private labels was the use of the two thin red bands at the top and bottom of the  
17 labels. Although the private label texts were substantially similar to the MEECO  
18 labels, they were often displayed somewhat differently or in a different font.

19 16. MEECO presented little evidence regarding whether the purchasing public  
20 associates its trade dress with MEECO, whether MEECO’s trade dress has  
21 remained consistent in the past, and whether it has sought to maintain exclusive  
22 use of the trade dress.

23  
24 17. At some point, MEECO permitted Imperial to use private labels in making a sales  
25 presentation to representatives from Home Depot, Inc. Imperial never sold private  
26 label goods to Home Depot.

27 18. In 2002, MEECO agreed to permit Imperial to sell certain products to Tractor  
28 Supply, a regional chain of stores in the Midwest, under the Imperial private label.

1 After this agreement, there is no evidence that the parties agreed to permit  
2 Imperial to sell private label goods (whether they originated with MEECO or with  
3 another manufacturer) to any other customer.

4 19. On May 1, 2003, Mr. Schaefer sent a letter to Imperial demanding that Imperial  
5 “cease and desist the sale of any merchandise that bears the MEECO’S RED  
6 DEVIL logo.” The letter insisted that trademark law gave MEECO the right to  
7 stop Imperial from selling MEECO-branded goods.

8  
9 20. Imperial did not contact MEECO to discuss the cease and desist letter. Instead, it  
10 relabeled all or substantially all of its MEECO-branded inventory with Imperial  
11 private labels. It accomplished the relabeling by directing “Challenge,” a printer  
12 near Imperial’s Hamel, Illinois warehouse, to print Imperial private labels.  
13 Imperial affixed the private labels over the top of MEECO labels on its existing  
14 inventory. It sold most of the relabeled inventory to True Value Hardware Stores  
15 (“True Value”).  
16

17 21. Imperial did not have MEECO’s permission to relabel its existing inventory for  
18 sale to True Value.

19 22. Imperial claims that Mr. Schaefer’s May 1, 2003 cease and desist letter forced it to  
20 relabel its existing inventory with Imperial private labels, but the court finds little  
21 evidence to support this claim. The court finds that Imperial had several options in  
22 light of the cease and desist letter, including returning its inventory to MEECO,  
23 ignoring the cease and desist letter, or suing MEECO for interfering with the  
24 lawful sale of MEECO products.  
25

26 23. Imperial’s relabeling of its MEECO inventory damaged MEECO by keeping  
27 MEECO-labeled products out of the marketplace and depriving MEECO of the  
28 goodwill associated with its product sales. In addition, any customer who

1 discovered the relatively crude overlabeling of the MEECO products would be  
2 misled into believing there was an ongoing relationship between Imperial and  
3 MEECO.

4 24. Imperial's relabeling of its MEECO inventory was deliberate and willful.

5 25. After it had exhausted its inventory of MEECO products, Imperial began meeting  
6 customers' needs by selling product manufactured at Kel-Kem. Imperial labeled  
7 those products either with Imperial private labels or with "next-generation" labels.  
8 The next-generation labels were almost identical to the Imperial private labels,  
9 except Imperial changed the styling of the "Imperial" name and in most cases  
10 removed the stylized Imperial crown logo.  
11

12 26. Imperial continues to use the next-generation labels, although it will introduce a  
13 new generation of labels on all of its products in September 2005. The new labels  
14 bear little resemblance to Imperial's private labels or next-generation labels.  
15

16 27. MEECO presented no direct evidence that similarities between Imperial's private  
17 labels or next-generation labels confused any consumer of the products as to the  
18 products' true source.

19 28. Even after Imperial ceased to supply MEECO products, the True Value national  
20 website continued to use pictures of MEECO products adjacent to written  
21 descriptions of Imperial products. There was no evidence that either MEECO or  
22 Imperial was aware of this until 2005, when MEECO pointed it out in the course  
23 of this lawsuit.

24 29. MEECO presented evidence that Imperial had the capability to directly control the  
25 content of the True Value website through its "Vendor Managed Data" ("VMD")  
26 system. The court finds that evidence unpersuasive. MEECO presented little to  
27 no evidence that Imperial knew about the errors on the True Value website.  
28

1 MEECO presented little to no evidence that Imperial intended for the True Value  
2 website to use MEECO product pictures.

3 30. The court finds that MEECO has not proven that any sales of Imperial product  
4 from the True Value website are attributable to MEECO's product pictures.

5 **Evidence Regarding MEECO's Trade Secrets and Its "SuperSweep" Trademark**

6 31. MEECO originally asserted a broad range of trade secrets in this action, including  
7 that Imperial had misappropriated its customer lists, pricing information, and  
8 product formulations.

9  
10 32. After the court's summary judgment order, MEECO was left with a single trade  
11 secret claim asserting that Imperial had misappropriated its concept for a creosote  
12 destroying firelog.

13 33. MEECO approached Imperial as early as June 2002 and informed it that it was  
14 developing a creosote destroying firelog product to compete with a similar product  
15 on the market.

16  
17 34. In the course of developing the creosote destroying firelog, Mr. Schaefer disclosed  
18 some information about its composition and manufacturing process.

19 35. Imperial ultimately decided not to sell MEECO's creosote destroying firelog, and  
20 instead hired Abe Kelley, former owner of Kel-Kem, to develop a creosote  
21 destroying firelog. Mr. Kelley did so.

22 36. MEECO did not prove that anyone associated with Imperial used information  
23 learned from MEECO in developing the Imperial creosote destroying firelog.

24  
25 37. While Imperial still intended to sell the MEECO creosote destroying firelog,  
26 Richard Hayes, Imperial's Vice-President for sales, suggested to Mr. Schaefer that  
27 the new firelog could be marketed under the name "Super Sweep" or  
28 "SuperSweep." Imperial had sold chimney brushes under the "SuperSweep" name

1 since well before its relationship with MEECO began. Mr. Hayes suggested that  
2 MEECO use the Super Sweep name to capitalize on the association with  
3 Imperial's existing chimney brush line. Mr. Hayes testified that Imperial had sold  
4 its line of chimney brushes across the United States under the SuperSweep name  
5 since at least 1986, although Mr. Hayes had only been at the company since the  
6 mid-1990s. Imperial intended that it would sell MEECO's Super Sweep firelog to  
7 the same customers to whom it had already been selling SuperSweep brushes.  
8

9 38. Other than Mr. Hayes' testimony that Imperial sold SuperSweep brushes  
10 throughout the United States since 1986, the parties presented very little evidence  
11 regarding Imperial's United States sales of chimney brushes. A photograph of  
12 Imperial brushes sold at True Value shows that Imperial sells chimney brushes in  
13 the United States, but none of the brushes in the photograph bore the SuperSweep  
14 trademark. Other than Mr. Hayes' testimony, there was no evidence of the  
15 territorial extent of sales of the SuperSweep brushes in the United States. Mr.  
16 Schaefer testified that he had searched the PTO registry for evidence of Imperial's  
17 United States sales of SuperSweep brushes, but he had no direct information about  
18 whether Imperial sold the brushes in the United States.  
19

20 39. The parties' creosote destroying firelogs serve the same purpose as Imperial's  
21 chimney brushes – eliminating the buildup of dangerous chemicals inside a  
22 chimney. Chimney brushes use a mechanical process, whereas creosote  
23 destroying products (including firelogs) use a chemical process.  
24

25 40. Imperial began selling its creosote destroying firelog in the United States in  
26 October 2003 under the "SuperSweep" trademark.

27 41. MEECO first used the "Super Sweep" trademark in commerce on a MEECO  
28 creosote destroying firelog product at a trade show in March 2003. Mr. Schaefer



1 testified that he advertised the Super Sweep logs at the trade show, and sold a  
2 small number of the firelogs.

3 42. The court finds that Imperial has proven by a preponderance of evidence that it  
4 sold chimney brushes under the “SuperSweep” trademark before MEECO first  
5 used its Super Sweep mark in commerce.

6 43. In July 2003, MEECO filed an application with the United States Patent and  
7 Trademark Office (“PTO”) to register the “Super Sweep” name as a trademark.

8 44. In October 2003, Imperial filed an application to register the “SuperSweep” name  
9 as a United States Trademark. In the application, it disclosed that it “intended to  
10 use” the trademark for fireplace products in the United States, but did not disclose  
11 any information about its prior United States sales of “SuperSweep” chimney  
12 brushes.  
13

14 **Facts Relevant to MEECO’s Copyright Claims**

15 45. MEECO is the owner of United States copyright registrations VA 1-208-319,  
16 VA 1-210-239, VA 1-208-101, VA 1-254-929, and VA 1-263-397. The earliest  
17 effective date for any of these registrations is October 17, 2003. Each of the  
18 copyright registrations covers text incorporated in MEECO’s product labels.  
19

20 46. In 1992 and 1993, Mr. Schaefer revised and updated the labels for all MEECO  
21 products. Mr. Schaefer testified that he authored the texts on the labels himself or  
22 he derived them from label texts as they existed on MEECO products when he  
23 purchased MEECO in 1987. Mr. Schaefer testified that he did not know who had  
24 authored the MEECO label texts that existed before he purchased the company.  
25

26 47. Mr. Schaefer admitted that he copied at least one of the MEECO label texts from a  
27 non-MEECO source. Mr. Schaefer wrote the label text on MEECO’s Creo-Shot  
28

1 Chimney Cleaner product by copying the label text of a competing product that  
2 Rutland Manufacturing sold.

3 48. Both the Imperial private labels and the Imperial next-generation labels copied  
4 their texts verbatim or nearly verbatim from the corresponding MEECO product  
5 label. Imperial used the next-generation labels on its Kel-Kem manufactured  
6 products.

7  
8 49. MEECO presented no evidence that any consumer of any Imperial products made  
9 the decision to purchase the product based on text of the product's label.

10 50. MEECO did not prove that any consumer of any Imperial product purchased the  
11 product in order to acquire the text of its label.

### 12 III. CONCLUSIONS OF LAW

13 1. The court has subject matter jurisdiction over the federal claims in this matter  
14 pursuant to, inter alia, 15 U.S.C. § 1121 and 28 U.S.C. § 1338(a). The court  
15 exercises its supplemental jurisdiction over the Washington state law claims in this  
16 matter.

17  
18 2. The court concludes that Mr. Caissie has no personal liability for any of  
19 MEECO's claims.

#### 20 **Conclusions Regarding MEECO's Trade Secret Claim**

21 3. The only trade secret misappropriation claim remaining in this action is MEECO's  
22 claim for misappropriation of secrets regarding the composition of its creosote  
23 destroying firelog.

24  
25 4. A claim of trade secret misappropriation requires proof by a preponderance of the  
26 evidence of "[a]cquisition of a trade secret of another by a person who knows or  
27 has reason to know that the trade secret was acquired by improper means" or  
28

1 “[d]isclosure or use of a trade secret of another without express or implied  
2 consent.” RCW § 19.108.010(2).

- 3 5. Whatever trade secrets MEECO might have had, Mr. Schaefer admits he  
4 voluntarily disclosed them to Imperial representatives in the course of their  
5 business relationship. Thus, in order to prove trade secret misappropriation,  
6 MEECO would have to prove that Imperial disclosed or used trade secrets relating  
7 to the composition of MEECO’s creosote destroying firelog.  
8
- 9 6. The court concludes that MEECO has not met its burden to show that Imperial  
10 disclosed or used trade secrets relating to the composition of its creosote  
11 destroying log.
- 12 7. The court’s conclusion that Imperial did not misappropriate any alleged trade  
13 secret makes it unnecessary for the court to decide whether MEECO had any  
14 protectable trade secrets in the composition of its creosote destroying firelog.
- 15 8. The court’s conclusion that Imperial did not misappropriate any alleged trade  
16 secret is dispositive of MEECO’s claim that the alleged misappropriation also  
17 violated the confidentiality agreement between MEECO and Imperial.  
18

19 **Conclusions Regarding Imperial’s Bad Faith Trade Secret Assertion Counterclaim**

- 20 9. The court concludes that Imperial has not proven that Imperial asserted any trade  
21 secret claim in bad faith under RCW § 19.108.040.  
22

23 **Conclusions Regarding MEECO’s Trade Dress Claims**

- 24 10. A claim of trade dress infringement requires proof that the trade dress is  
25 protectable either because it is inherently distinctive or because it has acquired  
26 secondary meaning among consumers. Although a trade dress claim ordinarily  
27 requires the plaintiff to prove that its trade dress is non-functional, the parties’  
28

1 exclusive focus on their product labels as the embodiment of their trade dress  
2 eliminates the need to address the functionality of their trade dress.

3 11. If a plaintiff's trade dress is protectable, a plaintiff must prove that a defendant's  
4 use of a similar trade dress is likely to confuse consumers as to the source of  
5 defendant's product.

6 12. The most distinctive element of both parties' trade dress is the prominent use of  
7 the parties' respective names and trademarks. Other distinctive elements,  
8 including the background color of the product labels and the use of red bands  
9 across the top and bottom of the labels, are much less distinctive than the use of  
10 the parties' names and logos.

11 13. The court reaffirms its conclusion on summary judgment that there is no  
12 likelihood of confusion between a MEECO product with an all-white background  
13 label and a corresponding Imperial product with an all-yellow background label.  
14 The evidence presented at trial reinforces that conclusion.

15 14. The court concludes that there is no likelihood of confusion between a MEECO  
16 product on an all-yellow background label and a corresponding Imperial product  
17 with an all-yellow background label. The prominent use of the parties' respective  
18 names and trademarks on the product labels is sufficient to immediately dispel any  
19 confusion as to the true source of the products.

20 15. The court reaffirms its June 23, 2005 oral conclusion of law that MEECO's effort  
21 to claim ownership of the trade dress in Imperial's private labels is insufficient to  
22 show trade dress infringement. Assuming that the court were willing to extend the  
23 presumption regarding trademark ownership from Sengoku Works Ltd. v. RMC  
24 Int'l, Ltd., 96 F.3d 1217 (9th Cir. 1996), to trade dress, MEECO's ownership of  
25 the trade dress in the Imperial private label would make no difference. A  
26  
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1 consumer comparing a product with an Imperial private label to a product with  
2 Imperial's next-generation label could only come to one conclusion, that the next-  
3 generation product came from Imperial. There is, therefore, no likelihood of  
4 confusion as to the source of the allegedly infringing product.

5 16. The court's conclusion that there is no likelihood of confusion between the trade  
6 dresses at issue here renders it unnecessary to decide whether MEECO's trade  
7 dress is protectable either because it has acquired secondary meaning or because it  
8 is inherently distinctive.

9  
10 17. The court concludes that Imperial has not proven that it was a "joint author" of the  
11 trade dress in the Imperial private labels.

12 **Conclusions Regarding MEECO's Trademark Infringement Claim**

13 18. When Imperial overlabeled its remaining MEECO inventory with Imperial private  
14 labels, it engaged in "reverse passing off," a form of trademark infringement.  
15 Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys., Inc., 7 F.3d 1434, 1437 (9th  
16 Cir. 1993).

17  
18 19. The court concludes that Imperial had no license, express or implied, to engage in  
19 this reverse passing off. The parties' course of conduct, including MEECO's  
20 practice of specifically approving each customer for whom Imperial could relabel  
21 MEECO's products, demonstrates that any license Imperial had did not extend to  
22 product sales to True Value.

23 20. Imperial's reverse passing off damaged MEECO, and the court will award  
24 MEECO damages in an amount to be determined.

25  
26 21. The court concludes that although MEECO improperly asserted in Mr. Schaefer's  
27 May 2003 cease and desist letter that trademark law gave it the right to demand  
28

1 that Imperial stop selling MEECO trademarked products, the improper conduct  
2 does not constitute trademark misuse.

3 22. As to MEECO's trademark claims addressing the "Super Sweep" trademark, the  
4 court takes judicial notice on its own motion of the opposition proceeding between  
5 the parties pending before the United States Trademark Trial and Appeal Board  
6 ("TTAB"), Proceeding No. 91161846. The TTAB has stayed that proceeding, at  
7 MEECO's request, pending the outcome of this action.  
8

9 23. Neither MEECO nor Imperial has successfully registered the "SuperSweep" or  
10 "Super Sweep" trademark.

11 24. As the party asserting infringement of an unregistered trademark, MEECO bears  
12 the burden of proving that it has a valid, protectable trademark. Filipino Yellow  
13 Pages, Inc. v. Asian Journal Publ'ns, Inc., 198 F.3d 1143, 1146 (9th Cir. 1999).  
14 MEECO's burden includes the burden of proving that it made the first use in  
15 commerce of its asserted trademark. Emergency One, Inc. v. Am. Fire Eagle  
16 Engine Co., 332 F.3d 264, 269 (4th Cir. 2003); see also Johnny Blastoff, Inc. v.  
17 Los Angeles Rams Football Co., 188 F.3d 427, 433-34 (7th Cir. 1998) (citing New  
18 West Corp. v. NYM Co. of Cal., Inc., 595 F.2d 1194 (9th Cir. 1979), regarding the  
19 burden of proving priority of use).  
20

21 25. The court concludes that whatever trademark rights MEECO might have in the  
22 "Super Sweep" name, MEECO has not met its burden to prove that those rights  
23 extend to the sale of a creosote destroying firelog under that name. The court  
24 notes that MEECO had no direct evidence of the extent of Imperial's United States  
25 sales of "SuperSweep" chimney brushes, and that it offered only limited evidence  
26 about the territorial reach of its own sales of "Super Sweep" firelogs. The court  
27 credits Mr. Hayes' testimony that Imperial had sold chimney brushes to customers  
28

1 across the United States under the SuperSweep name from a time predating  
2 MEECO's use of the name. The court concludes that these sales give Imperial  
3 priority of use as to the SuperSweep name, and that the use of the SuperSweep  
4 name on chemical chimney cleaners like the creosote destroying firelog was a  
5 "natural expansion" from the use of the name on mechanical chimney cleaners  
6 (i.e., brushes). The court concludes that part of the reason MEECO chose the  
7 "Super Sweep" trademark for its creosote destroying firelog was to capitalize on  
8 goodwill associated with Imperial's "SuperSweep" trademark.  
9

10 26. The court's previous conclusions render it unnecessary to further consider  
11 MEECO's claims of infringement relating to the "Super Sweep" trademark.

12 27. The court notes that the evidence supporting each party's contentions regarding  
13 the "Super Sweep" or "SuperSweep" trademarks was very thin. Nonetheless,  
14 MEECO specifically insisted on presenting its claim at trial over Imperial's  
15 objections that the parties had done little discovery to address the claim and that  
16 the TTAB should decide the scope of the parties' trademark rights.  
17

18 28. The court reaffirms its June 23, 2005 oral conclusion of law that MEECO has no  
19 claim for trademark infringement arising from any use on the True Value and  
20 Lowe's website of pictures of MEECO products in conjunction with product  
21 descriptions and pricing information for Imperial products. MEECO has not  
22 presented evidence sufficient for the court to determine that Imperial was  
23 responsible for the content of these websites, or that Imperial was even aware of  
24 the improper use of MEECO product pictures.  
25

26 **Conclusions Regarding MEECO's Copyright Infringement Claims**

27 29. A claim of copyright infringement requires that a plaintiff show that it has  
28 copyrightable subject matter and that defendant infringed that copyright. Subject

1 matter is copyrightable if it demonstrates the minimal originality requirement set  
2 forth in Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 345 (1991). A  
3 defendant infringes a copyright when he copies or distributes matter that is  
4 “substantially similar” to the copyrighted subject matter without the copyright  
5 holder’s permission.

6  
7 30. MEECO cannot claim the statutory presumption of originality from the Copyright  
8 Act because Mr. Schaefer published the copyrighted texts more than five years  
9 before MEECO applied for copyright protection. 17 U.S.C. § 410(c).

10 31. The court concludes that with the exception of the label on its Creo-Shot Chimney  
11 Cleaner product (which Mr. Schaefer copied from a competitor’s product),  
12 MEECO’s label texts are original. The label texts demonstrate sufficient creativity  
13 to pass the low bar for originality under the Copyright Act.

14  
15 32. The court concludes that the fact that Mr. Schaefer derived the label texts from  
16 previous MEECO labels does not undermine the originality of the texts. As Mr.  
17 Schaefer purchased MEECO in 1987, the court assumes in the absence of contrary  
18 evidence that he acquired any common law copyright that MEECO held in those  
19 labels.

20 33. The court concludes that Imperial has not proven that it was a “joint author” of  
21 any label text in the Imperial private labels or its next-generation labels.

22 34. Imperial infringed MEECO’s copyrighted label texts beginning in 2003 when it  
23 sold MEECO product overlabeled with the Imperial private label to True Value.  
24 The infringement continued when Imperial incorporated the same text into its  
25 next-generation labels. Imperial apparently intends to continue infringing  
26 MEECO’s copyrighted label texts until September 2005, when it introduces  
27 redesigned labels.  
28



- 1 35. MEECO does not seek statutory damages for copyright infringement, nor could it,  
2 as Imperial's infringement commenced before MEECO had registered any of its  
3 copyrights. 17 U.S.C. § 412.
- 4 36. MEECO can recover its actual damages arising from Imperial's copyright  
5 infringement as well as Imperial's profits from the infringement. 17 U.S.C. § 504.
- 6 37. Whether a plaintiff makes a claim for direct profits from infringement (profits  
7 made from selling an infringing work) or a claim for indirect profits from  
8 infringement (profits made from selling a work that is advertised or promoted  
9 using an infringing work), a plaintiff bears the burden of showing that sales of the  
10 other product are due in part to the copyright infringement. Mackie v. Rieser, 296  
11 F.3d 909, 914 (9th Cir. 2002) (defining direct and indirect profits); Polar Bear  
12 Prods. v. Timex Corp., 384 F.3d 700, 710 n.11 (9th Cir. 2004) (noting the  
13 requirement of causation evidence for both direct and indirect profits cases). A  
14 plaintiff must meet a threshold burden of demonstrating that the infringement  
15 affected an infringer's profits before recovering any profits as damages. Mackie,  
16 296 F.3d at 915.
- 17 38. MEECO's argument that Imperial sold its copyrighted texts directly because they  
18 were used on Imperial product labels is unavailing. As MEECO's counsel  
19 admitted in his closing argument, Imperial's label texts (like all label texts)  
20 amount to "a form of short advertising copy." Thus the court will treat Imperial's  
21 use of MEECO's texts no differently than other cases where advertisers use  
22 copyrighted material to sell their products.
- 23 39. The court concludes that MEECO has not presented sufficient evidence for the  
24 court to conclude that any portion of Imperial's product sales are due to its  
25  
26  
27  
28

copyright infringement. Thus the court will not award any portion of Imperial's revenues or profits as damages.

40. "Actual damages" under the Copyright Act include the copyright holder's losses as a result of the infringement. Polar Bear Prods., 384 F.3d at 708. "Actual damages are usually determined by the loss in the fair market value of the copyright, measured by the profits lost due to the infringement or by the value of the use of the copyrighted work to the infringer." Id. (quoting McRoberts Software, Inc. v. Media 100, Inc., 329 F.3d 557, 566 (7th Cir. 2003)); see generally Davis v. Gap, Inc., 246 F.3d 152, 161 (2d Cir. 2001) (describing "reasonable license fee" as a measure of actual damages).
41. The court concludes that Imperial's use of MEECO's copyrighted texts had value to Imperial. Imperial's infringement permitted it to avoid the expense and delay of authoring its own label texts. The court will award damages in the form of a reasonable fee for the use of MEECO's label texts, based on objective evidence from the trial record, in an amount to be determined.

#### IV. ORDER

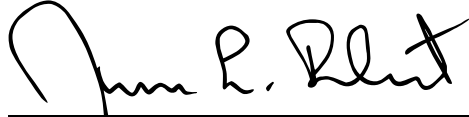
Based on the foregoing findings of fact and conclusions of law, the court orders as follows:

1. Imperial is entitled to damages for Imperial's reverse passing off of MEECO products as its own and for Imperial's infringement of MEECO's copyrights.
2. The parties shall submit supplemental briefing to address the proper amount of damages. Each party shall submit a supplemental brief of no more than 10 pages by July 22, 2005. Each party shall respond to the other's supplemental brief no later than July 29, 2005. The court will not consider reply briefs. The parties shall use the supplemental briefs solely to address the two components of damages

1 listed above. The parties shall not use the supplemental briefs to contest the  
2 court's findings and conclusions. The parties shall base their damage contentions  
3 solely on the trial record. If a transcript of the record is unavailable, the parties  
4 shall indicate by witness name or exhibit number the basis of any assertions  
5 relevant to their damage claims.  
6

- 7 3. At its option, MEECO may file a brief in support of its request for injunctive relief  
8 preventing Imperial's ongoing infringement of its copyrights. MEECO shall file  
9 the brief no later than July 22, 2005.

10 Dated this 7th day of July, 2005.

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14 JAMES L. ROBART  
15 United States District Judge  
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